

SHENANDOAH COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS & QUESTIONED COSTS

JUNE 30, 2007

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Shenandoah Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2006 Election)		
Margaret Brady	President	2006
Roger Jones	Vice President	2007
Ken Lee	Board Member	2006
Martin Maher	Board Member	2008
Marla Hart	Board Member	2008

Board of Education (After September 2006 Election)		
Margaret Brady	President	2009
Marla Hart	Vice President	2008
Lance Hensen	Board Member	2009
Martin Maher	Board Member	2008
Roger Jones	Board Member	2007

School Officials		
Dick Profit	Superintendent	2007
Shirley Lundgren	Board Secretary/ Business Manager	2007
Jeffrey A. Krausman	Attorney	2007

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(a professional corporation)
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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Shenandoah Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Shenandoah Community School District, Shenandoah, Iowa as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Shenandoah Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 10, 2008 on our consideration of Shenandoah Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 15 and 38 through 39 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Shenandoah Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

January 10, 2008

Management Discussion and Analysis

The discussion and analysis of Shenandoah Community School District's financial performance provides an overall review of the School District's financial activities; identifies changes in financial position and focuses on significant financial issues for the fiscal year ending June 30, 2007.

This summary should not be taken as a replacement for the audit which consists of the financial statements and other supplemental information that presents all the School District's revenues and expenditures by program for the General Fund, Management Fund, Capital Projects Fund, Debt Service Fund, Internal Services Fund, PPEL Fund, Activity Fund, Trust Fund, Agency Fund and Nutrition Fund.

This reporting model offers a narrative overview and analysis of the school district's financial performance during the fiscal year. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Since the MD&A provides summary level financial information, readers are encouraged to consider this information with the basic financial statements to understand the School District's financial performance.

Comprehensive comparison to the prior year's data will be provided for all key financial information.

FINANCIAL HIGHLIGHTS

- ◆ General Fund revenues increased from \$8,076,582 in fiscal year 2006 to \$8,663,341 in fiscal year 2007, while General Fund expenditures increased from 8,029,758, in fiscal year 2006 to \$8,634,180 in fiscal year 2007. This resulted in an increase in the District's General Fund balance from \$1,473,894 in fiscal year 2006 to \$1,496,341 fiscal year 2007.
- ◆ The increase in general fund revenues was due to an increase in teacher compensation funds and an increase in state aid monies received. We received \$4,515,526 in state aid which is an increase of \$445,705 from the previous year.
- ◆ The increase in general fund expenditures was due to an increase in salary and benefits, due to the school district adding a middle school principal and the payment of increased teacher compensation funds.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This annual report consists of a series of financial statements and notes to those statements. The financial statements provide insights into the results of this year's operations. This annual report includes this management's discussion and analysis report, the independent auditor's report, and the basic financial statements of the District as a financial whole, an entire operating entity.

The Statement of Net Assets provides information about the activities of the School District as a whole, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the school district's most significant funds with all other non-major funds presented in total in one column. For Shenandoah Community School District, the general fund is the most significant fund. The PPEL fund is also a significant fund.

The first two statements are District-wide financial statements that provide both short-term and long-term information about the District's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the district, reporting the district's operations in more detail than the district-wide statements

The statements for governmental fund statements explain how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.

The statements for proprietary fund statements offer short-term and long-term financial information about the activities the district operates like businesses, such as food service.

The statements for fiduciary fund statements provide information about the financial relationships in which the district acts solely as a trustee or agent for the benefit of others.

A government-wide financial statement is the statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statement of net assets presents the financial condition of the governmental activities of the district at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplemental information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

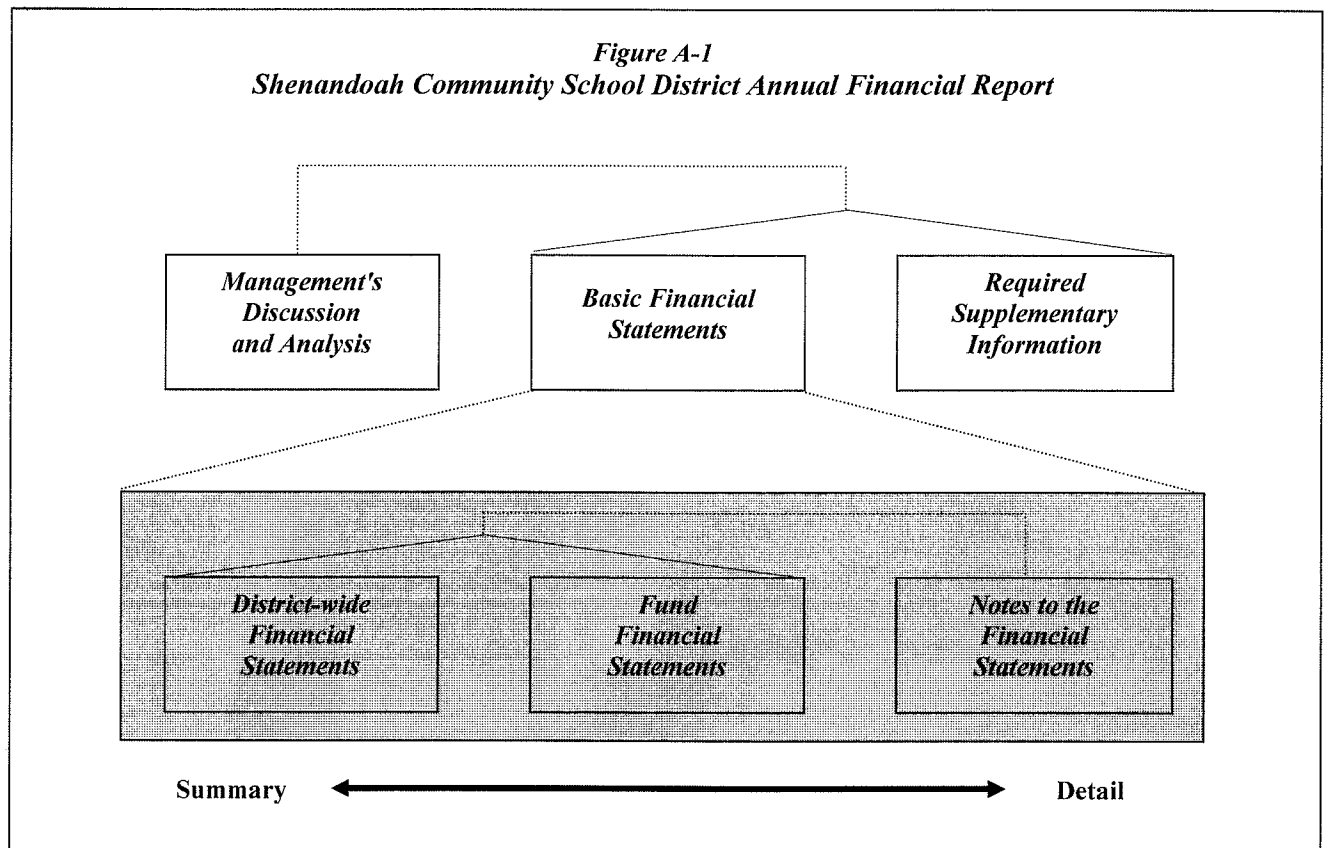


Figure A-2 on the next page summarizes the major features of the district-wide and fund financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and content of each of the statements.

Figure A-2: Major Features of the District Wide and Fund Financial Statements

	District-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services is included here	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> ◆ Statement of net assets ◆ Statement of activities 	<ul style="list-style-type: none"> ◆ Balance sheet ◆ Statement of expenditures, revenues, and changes in fund balances 	<ul style="list-style-type: none"> ◆ Statement of net assets ◆ Statement of cash flows 	<ul style="list-style-type: none"> ◆ Statement of fiduciary net assets ◆ Statement of changes in fiduciary net assets
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

DISTRICT-WIDE STATEMENTS -- REPORTING THE DISTRICT AS A WHOLE

One of the most important questions that can be asked about the school district is if it is better off or worse off financially than it was a year ago. The District-wide statements report information on the school district as a whole and include all assets and liabilities using the accrual basis of accounting. The accrual basis of accounting takes into accounts all of the current year's revenues and expenditures regardless of when the cash is received or paid.

The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two District-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities are one way to measure the School District's financial health or position. The change in net assets is important because it tells the reader that, for the School District as a whole, if the financial position has improved or diminished. Over time, increases or decreases in the School District's net assets are one indicator of whether its financial health is improving or deteriorating. The causes of this change may be the result of many factors, some financial and some not. The School District's goal is to provide services to our students, not to generate profits as commercial entities do. Therefore, to assess the District's overall health, you need to consider additional non-financial factors, such as changes in the District's property tax base, the condition of school buildings and other facilities, the quality of the education provided and the safety of the schools. All of these factors are used to assess the overall health of the School District.

Governmental Activities– Most of the school district's services is reported here, including regular and special education instruction, support, plant and transportation services. Property taxes, state foundation, categorical grants, and state and federal grants finance most these activities.

Business Type Activities – These funds are used to account for services provided to school districts where all or most of the costs are recovered through services charged to the users of such services, or from transfers from other funds. The district's food service program would be included here.

FUND FINANCIAL STATEMENTS -- REPORTING THE DISTRICT BY FUNDS

The School District's fund financial statements provide more detailed information about the School District's most significant or "major" funds – not the school district as a whole. The School District uses many funds to account for a multitude of financial transactions. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. The funds are established to control and manage money for particular purposes such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants. Some funds are required by State law and some by bond covenants. The School District's major governmental funds are the General Fund, the Debt Service Fund, the Capital Projects Fund and the Physical Plant and Equipment Fund. The District has three types of funds – Governmental funds, Proprietary funds and Fiduciary funds.

Governmental funds: Most of the district's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental funds statements provide a detailed short-term view of the School District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements. The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds.

Proprietary funds: Services for which the district charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements. The District's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District has one enterprise fund, the School Nutrition Fund.

Fiduciary funds: The district is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds. Private-Purpose Trust funds accounts for outside donations to a school district for a specific purpose. Agency Funds are funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures. The district is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The district excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

NET ASSETS

The Statement of Net Assets provides the summary of the School District as a whole.

Figure A-3 on the following page provides a summary of the District's net assets for the year ended June 30, 2007 totaling nearly \$9.81 million in government-wide.

Unrestricted governmental net assets of \$1,664,640 represent the accumulated results of all past year's operations. It means that if we had to pay off all of our bills today, including all of our liabilities, we would have \$1,664,640 left.

Figure A-3							
Condensed Statement of Net Assets							
	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Change
	2007	2006	2007	2006	2007	2006	2006-07
Current and other assets	\$ 7,923,337	7,912,954	87,579	96,211	8,010,916	8,009,165	0.02%
Capital assets	14,841,635	14,607,485	101,783	105,199	14,943,418	14,712,684	1.57%
Total assets	22,764,972	22,520,439	189,362	201,410	22,954,334	22,721,849	1.02%
Long-term obligations	9,278,509	9,978,676	0	0	9,278,509	9,978,676	-7.02%
Other liabilities	3,860,426	3,754,407	6,090	4,433	3,866,516	3,758,840	2.86%
Total liabilities	13,138,935	13,733,083	6,090	4,433	13,145,025	13,737,516	-4.31%
Net assets:							
Invested in capital assets, net of related debt	5,654,921	6,489,661	101,783	105,199	5,756,704	6,594,860	-12.71%
Restricted	2,306,476	677,925	0	0	2,306,476	677,925	240.23%
Unrestricted	1,664,640	1,620,040	81,489	91,778	1,746,129	1,711,818	2.00%
Total net assets	\$ 9,626,037	8,787,626	183,272	196,977	9,809,309	8,984,603	9.18%

CHANGES IN NET ASSETS

Figure A-4 on the next page shows the changes in net assets for the year ended June 30, 2007.

In Figure A-4 property tax, local option sales and services tax and unrestricted state grants account for 76.1 % of the total revenue. The District's expenses primarily relate to instruction and support services which account for 84.9 % of the total expenses.

The total cost of our general fund activities this year was \$8.63 million. The amount that our taxpayers ultimately financed for general fund activities through school district taxes was \$2.32 million or 26.88% of our total program costs. Some of the costs were paid by those who benefited from the programs, and by subsidizing certain programs with grants and contributions and other miscellaneous sources.

Revenues increased because of the instructional support levy, increased teacher compensation, and additional open enrollment tuition income.

Figure A-4							
Changes of Net Assets							
	Governmental Activities		Business-type Activities		Total School District		Total Change
	2007	2006	2007	2006	2007	2006	2006-07
Revenues:							
Program revenues:							
Charges for services	\$ 493,938	499,522	183,252	189,655	677,190	689,177	-1.74%
Operating grants and contributions and restricted interest	1,368,583	1,061,999	249,141	236,324	1,617,724	1,298,323	24.60%
Capital grants and contributions and restricted interest	31,308	0	0	0	31,308	0	100.00%
General revenues:							
Property tax	3,269,284	3,240,197	0	0	3,269,284	3,240,197	0.90%
Local option sales and services tax	631,004	539,770	0	0	631,004	539,770	100.00%
Unrestricted state grants	4,515,526	4,069,821	0	0	4,515,526	4,069,821	10.95%
Other	310,537	392,521	2,750	3,058	313,287	395,579	-20.80%
Total revenues	10,620,180	9,803,830	435,143	429,037	11,055,323	10,232,867	8.04%
Program expenses:							
Governmental activities:							
Instructional	5,995,632	5,768,580	0	0	5,995,632	5,768,580	3.94%
Support services	2,689,002	2,378,032	0	0	2,689,002	2,378,032	13.08%
Non-instructional programs	2,070	0	464,059	424,945	466,129	424,945	9.69%
Other expenses	1,072,181	1,631,985	0	0	1,072,181	1,631,985	-34.30%
Total expenses	9,758,885	9,778,597	464,059	424,945	10,222,944	10,203,542	0.19%
Excess of revenues over expenditures	861,295	25,233	(28,916)	4,092	832,379	29,325	2738.46%
Other financing sources(uses)							
Transfer in	0	0	15,211	13,975	15,211	0	100.00%
Transfer out	(22,884)	(13,940)	0	0	(22,884)	0	-100.00%
Total other financing sources(uses)	(22,884)	(13,940)	15,211	13,975	(7,673)	0	100.00%
Changes in net assets	838,411	11,293	(13,705)	18,067	824,706	29,325	2712.30%
Beginning net assets	8,787,626	8,776,333	196,977	178,910	8,984,603	8,955,243	0.33%
Ending net assets	\$ 9,626,037	8,787,626	183,272	196,977	9,809,309	8,984,568	9.18%

GOVERNMENTAL ACTIVITIES

Revenues for governmental activities were \$10,620,180 while expenditures were \$9,758,885. Total expenditures increased due to an increase in salaries and benefits and additional technology purchases.

Figure A-5 on the next page presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2007	2006	Change 2006-07	2007	2006	Change 2006-07
Instruction	\$ 5,995,632	5,768,580	3.94%	4,474,823	4,518,919	-0.98%
Support services	2,689,002	2,378,302	13.06%	2,685,017	2,372,364	13.18%
Non-instructional	2,070	0	100.00%	2,070	0	100.00%
Other expenses	1,072,181	1,631,985	-34.30%	703,146	1,325,793	-46.96%
Totals	<u>\$ 9,758,885</u>	<u>9,778,867</u>	<u>-0.20%</u>	<u>7,865,056</u>	<u>8,217,076</u>	<u>-4.28%</u>

Figure A-5 above shows:

- ◆ The cost financed by users of the District's programs was \$493,938.
- ◆ Federal and state governments subsidized certain programs with grants and contributions totaling \$1,399,891.
- ◆ The net cost of governmental activities was financed with \$3,269,284 in property tax, \$631,004 in local option sales and service tax and \$4,515,526 in unrestricted state grants and \$172,453 in interest income.
- ◆ A middle school principal was hired.

BUSINESS-TYPE ACTIVITIES

Revenues of the District's business-type activities were \$435,143 while expenditures were \$464,059. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of service, federal and state reimbursements and investment income.

During the year ended June 30, 2007, the school nutrition program purchased some new equipment for the high school. Food costs and salaries increased significantly during the year. Breakfast and lunch counts remain steady and our free and reduced counts remain high which generates additional federal and state lunch and breakfast reimbursements. Overall the district served less student lunches and more student breakfasts than the previous year.

GOVERNMENTAL AND PROPRIETARY FUND HIGHLIGHTS

As previously noted, the Shenandoah Community School District used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The strong financial performance of the District as a whole is reflected in the governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$3,779,211 which is below last year's ending fund balance of \$3,936,012. The primary reason for the decrease in combined fund balance is due to the increase in revenues not exceeding the increase in expenditures during the year.

Governmental Fund Highlights:

The District's general fund financial position is a product of many factors.

- ◆ The General Fund balance increased from \$1,473,894 to \$1,496,341 due in part because the increase in revenues more than surpassed the increase in General Fund expenditures.
- ◆ Factors affecting expenditures were the addition of middle school principal and increased gasoline prices and utilities.
- ◆ Factors affecting revenues were increases in tuition and state grant revenues during fiscal year 2007.

Proprietary Fund Highlights:

The School Nutrition Fund net assets decreased from \$196,977 at June 30, 2006 to \$183,272 at June 30, 2007 or 6.96%. The main decrease is attributable to increased salaries and benefits and a slight decrease in lunches served during the year.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except its private-purpose trust and agency funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget for all funds is prepared according on a GAAP basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on pages 38 and 39.

Total expenditures were less than budgeted due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed the actual expenditures during the year.

The most significant budgeted fund is the General Fund.

- ◆ For the general fund, the actual cash revenues were \$8,663,341 and the actual cash expenditures were \$8,634,180. The general fund had an ending fund cash balance of \$1,496,341.
- ◆ Miscellaneous income was \$190,173 more than the previous year.

The other significant fund is the Physical Plant and Equipment Levy.

- ◆ For the PPEL fund, the actual cash revenues were \$420,157 and the actual cash expenditures were \$156,957. The PPEL fund had an ending fund cash balance of \$599,928.
- ◆ This year, out of the PPEL fund, some of the things the District purchased were a school bus; paid part of the football field press box and paid the debt payments for the street project and the bus lease.

Another significant fund is the Debt Service Fund.

- ◆ For the Debt Service fund, the actual cash revenues were \$414,537 and the actual cash expenditures were 1,009,483.
- ◆ This year, out of the Debt Service fund, the school district paid the debt interest and principal payments for the general obligation bonds, the QZAB bonds, the street project and the bus lease.

CAPITAL ASSETS

At June 30, 2007, the District had invested \$14,943,418, net of accumulated depreciation in a board range of capital assets, including land, buildings, athletic facilities, computers and transportation equipment. Governmental funds account for \$14,841,635 of the capital assets with the remainder of \$101,783 in the Proprietary, School Nutrition Fund. Depreciation expense for the year was \$513,485.

Figure A-6 presents the capital assets for the district.

Figure A-6							
Capital Assets, Net of Depreciation							
	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Change
	2007	2006	2007	2006	2007	2006	2006-07
Land	\$ 183,000	183,000	0	0	183,000	183,000	0.00%
Construction in progress	139,503	190,262	0	0	139,503	190,262	-36.39%
Buildings	13,838,626	13,549,381	0	0	13,838,626	13,549,381	2.09%
Land improvements	344,240	355,862	0	0	344,240	355,862	-3.38%
Machinery and equipment	336,266	329,250	101,783	105,199	438,049	434,449	0.82%
Total	\$ 14,841,635	14,607,755	101,783	105,199	14,943,418	14,712,954	1.54%

LONG-TERM DEBT

As of June 30, 2007, the School District had \$9,278,509 in general obligation bonds, QZAB bonds, revenue bonds and other long-term debt outstanding. This represents a decrease of 7% from last year.

There was \$6,965,000 in outstanding debt for the PK-8 building. The bonds are paid from property taxes and from Local Option Sales & Service tax monies. The final payment will be due in fiscal year 2020.

The School District had \$885,000 in outstanding debt for revenue bonds issued for the HVAC system at the high school. The bonds are paid from Local Option Sales & Service tax monies. The debt will be paid over five years with the final payment due in fiscal year 2011.

The School District had \$325,000 in outstanding debt for the street project for the PK-8 building. The assessment is paid from income surtax monies. The debt will be paid over 10 years with the last payment due in fiscal year 2012.

The School District had \$1,000,000 in outstanding debt for the Quality Zone Academy Bonds. The bonds are paid from the QZAB principal and interest and are backed by the income surtax monies. The debt is paid over 9 years with the last payment due in fiscal year 2011.

The School District had \$11,714 in an outstanding lease for a 2002 school bus. The lease is paid for from the PPEL Fund. The lease is paid in arrears with the last payment due in fiscal year 2008.

The School District had \$91,795 in outstanding debt for compensated absences from the current year. The compensated absences are paid for from the General Fund

Figure A-7 presents the outstanding long-term debt for the district.

Figure A-7 Outstanding Long-Term Obligations			
	Total School District		Total
	2007	2006	Change
General obligation bonds	\$ 6,965,000	7,385,000	-5.7%
Revenue bonds	885,000	1,085,000	100.0%
QZAB	1,000,000	1,000,000	0.0%
Street assessment	325,000	385,000	-15.6%
Bus lease	11,714	22,776	-48.6%
Compensated absences	91,795	96,840	-5.2%
Early Retirement	0	4,060	-100.0%
Totals	<u>\$ 9,278,509</u>	<u>9,978,676</u>	<u>-7.0%</u>

FACTORS THAT IMPACT THE DISTRICT'S FUTURE

The Shenandoah Community School District is proud of the generous community support of the public schools.

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future.

The enrollment increased in FY07 for the third time in eight years but decreased 3% for FY08. The loss of a manufacturing plant and a lumberyard during 2007 could affect the future of the district.

CONTACTING THE SCHOOL DISTRICT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Shenandoah Community School District's finances and to demonstrate the School District's accountability for the monies it receives. If you have questions about this report or should desire additional detailed financial program audits they can be obtained by contacting: Shirley Lundgren, Business Manager, Shenandoah Community School District, 304 W. Nishna Road, Shenandoah, IA 51601.

BASIC FINANCIAL STATEMENTS

SHENANDOAH COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2007

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments			
Other	\$ 4,338,216	82,360	4,420,576
Receivables:			
Property tax:			
Delinquent	50,472	0	50,472
Succeeding year	2,954,299	0	2,954,299
Income surtax	336,872	0	336,872
Accounts	12,988	0	12,988
Due from other governments	229,958	0	229,958
Inventories	532	5,219	5,751
Capital assets, net of accumulated depreciation (Note 5)	14,841,635	101,783	14,943,418
TOTAL ASSETS	22,764,972	189,362	22,954,334
LIABILITIES			
Accounts payable	68,213	0	68,213
Salaries and benefits payable	779,634	2,939	782,573
Accrued interest payable	54,301	0	54,301
Deferred revenue:			
Succeeding year property tax	2,954,299	0	2,954,299
Other	3,979	3,151	7,130
Long-term liabilities (Note 4):			
Portion due within one year:			
General obligation bonds payable	430,000	0	430,000
Revenue bonds payable	210,000	0	210,000
Street assessment payable	65,000	0	65,000
Bus lease payable	11,714	0	11,714
Compensated absences	91,795	0	91,795
Portion due after one year:			
General obligation bonds payable	6,535,000	0	6,535,000
Revenue bonds payable	675,000	0	675,000
Street assessment payable	260,000	0	260,000
QZAB payable	1,000,000	0	1,000,000
TOTAL LIABILITIES	13,138,935	6,090	13,145,025
NET ASSETS			
Invested in capital assets, net of related debt	5,654,921	101,783	5,756,704
Restricted for:			
Salary improvement program	15,769	0	15,769
Market factor	7,837	0	7,837
Management levy	136,226	0	136,226
Physical plant and equipment levy	599,928	0	599,928
Capital projects	525,090	0	525,090
Debt service	923,925	0	923,925
Other special revenue purposes	97,701	0	97,701
Unrestricted	1,664,640	81,489	1,746,129
TOTAL NET ASSETS	\$ 9,626,037	183,272	9,809,309

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Charges for Expenses	Contributions and Restricted Services	Contributions and Restricted Interest	Contributions and Restricted Interest	Govern- mental Activities	Business- Type Activities	Total
Functions/Programs							
Governmental activities:							
Instruction:							
Regular instruction	\$ 3,714,221	270,722	934,196	0	(2,509,303)	0	(2,509,303)
Special instruction	1,122,041	55,103	60,388	0	(1,006,550)	0	(1,006,550)
Other instruction	1,159,370	166,654	33,746	0	(958,970)	0	(958,970)
	<u>5,995,632</u>	<u>492,479</u>	<u>1,028,330</u>	<u>0</u>	<u>(4,474,823)</u>	<u>0</u>	<u>(4,474,823)</u>
Support services:							
Student services	265,786	0	0	0	(265,786)	0	(265,786)
Instructional staff services	379,983	0	0	0	(379,983)	0	(379,983)
Administration services	902,530	0	0	0	(902,530)	0	(902,530)
Operation and maintenance of plant services	764,174	0	0	0	(764,174)	0	(764,174)
Transportation services	376,529	1,459	2,526	0	(372,544)	0	(372,544)
	<u>2,689,002</u>	<u>1,459</u>	<u>2,526</u>	<u>0</u>	<u>(2,685,017)</u>	<u>0</u>	<u>(2,685,017)</u>
Non-instructional programs:							
Food service operations	2,070	0	0	0	(2,070)	0	(2,070)
Other expenditures:							
Facilities and acquisitions	17,921	0	0	31,308	13,387	0	13,387
Long-term debt interest	311,286	0	0	0	(311,286)	0	(311,286)
AEA flowthrough	337,727	0	337,727	0	0	0	0
Depreciation(unallocated)*	405,247	0	0	0	(405,247)	0	(405,247)
	<u>1,072,181</u>	<u>0</u>	<u>337,727</u>	<u>31,308</u>	<u>(703,146)</u>	<u>0</u>	<u>(703,146)</u>
Total governmental activities	9,758,885	493,938	1,368,583	31,308	(7,865,056)	0	(7,865,056)
Business-Type activities:							
Non-instructional programs:							
Nutrition services	464,059	183,252	249,141	0	0	(31,666)	(31,666)
Total business-type activities	<u>464,059</u>	<u>183,252</u>	<u>249,141</u>	<u>0</u>	<u>0</u>	<u>(31,666)</u>	<u>(31,666)</u>
Total	<u>\$ 10,222,944</u>	<u>677,190</u>	<u>1,617,724</u>	<u>31,308</u>	<u>(7,865,056)</u>	<u>(31,666)</u>	<u>(7,896,722)</u>
General Revenues and Transfers:							
Local tax for:							
General purposes					\$ 2,496,037	0	2,496,037
Debt Service					378,279	0	378,279
Capital outlay					394,968	0	394,968
Local option sales and services tax					631,004	0	631,004
Unrestricted state grants					4,515,526	0	4,515,526
Unrestricted investment earnings					169,703	2,750	172,453
Sale of property and equipment					65,483	0	65,483
Other					75,351	0	75,351
Transfers					(22,884)	15,211	(7,673)
Total general revenues and transfers					<u>8,703,467</u>	<u>17,961</u>	<u>8,721,428</u>
Changes in net assets					838,411	(13,705)	824,706
Net assets beginning of year					8,787,626	196,977	8,984,603
Net assets end of year					<u>\$ 9,626,037</u>	<u>183,272</u>	<u>9,809,309</u>

* This amount excludes the depreciation that is included in the direct expense of various programs

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	General	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Nonmajor Special Revenue	Total
ASSETS						
Cash and pooled investments						
Other	\$ 2,175,831	598,294	416,526	917,530	228,906	4,337,087
Receivables:						
Property tax:						
Delinquent	40,359	1,634	0	6,395	2,084	50,472
Succeeding year	2,428,188	99,986	0	326,125	100,000	2,954,299
Income surtax	112,291	224,581	0	0	0	336,872
Accounts	11,874	0	0	0	1,114	12,988
Inventories	532	0	0	0	0	532
Due from other governments	80,845	0	146,051	0	3,062	229,958
TOTAL ASSETS	\$ 4,849,920	924,495	562,577	1,250,050	335,166	7,922,208
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	29,487	0	37,487	0	1,239	68,213
Salaries and benefits payable	779,634	0	0	0	0	779,634
Deferred revenue:						
Succeeding year property tax	2,428,188	99,986	0	326,125	100,000	2,954,299
Income surtax	112,291	224,581	0	0	0	336,872
Other	3,979	0	0	0	0	3,979
Total liabilities	3,353,579	324,567	37,487	326,125	101,239	4,142,997
Fund balances:						
Reserved for:						
Salary improvement program	15,769	0	0	0	0	15,769
Market Factor	7,837	0	0	0	0	7,837
Debt service	0	0	0	923,925	0	923,925
Special purposes by the Board	167,398	0	0	0	0	167,398
Inventories	532	0	0	0	0	532
Unreserved:						
General	1,304,805	0	0	0	0	1,304,805
Management	0	0	0	0	136,226	136,226
Capital Projects	0	0	525,090	0	0	525,090
Physical plant and equipment levy	0	599,928	0	0	0	599,928
Other special revenue purposes	0	0	0	0	97,701	97,701
Total fund balances	1,496,341	599,928	525,090	923,925	233,927	3,779,211
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,849,920	924,495	562,577	1,250,050	335,166	7,922,208

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2007

Total fund balances of governmental funds (page 18)	\$ 3,779,211
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	14,841,635
Blending of the Internal Service Funds to be reflected on an entity-wide basis.	1,129
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.	336,872
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(54,301)
Long-term liabilities, compensated absences, general obligation bonds payable, revenue bonds payable, QZAB bonds payable and bus lease payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(9,278,509)
Net assets of governmental activities (page 16)	<u>\$ 9,626,037</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

	General	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total
REVENUES:						
Local sources:						
Local tax	\$ 2,320,849	394,968	631,004	378,279	117,938	3,843,038
Tuition	325,825	0	0	0	0	325,825
Other	382,001	25,099	60,519	35,906	189,836	693,361
State sources	5,285,392	90	0	352	115	5,285,949
Federal sources	349,274	0	0	0	0	349,274
Total revenues	8,663,341	420,157	691,523	414,537	307,889	10,497,447
EXPENDITURES:						
Current:						
Instruction:						
Regular instruction	3,671,049	0	0	0	59,463	3,730,512
Special instruction	1,122,041	0	0	0	0	1,122,041
Other instruction	992,360	0	0	0	163,354	1,155,714
	5,785,450	0	0	0	222,817	6,008,267
Support services:						
Student services	262,507	0	0	0	0	262,507
Instructional staff services	358,397	8,977	0	0	0	367,374
Administration services	895,726	0	0	0	999	896,725
Operation and maintenance of plant services	696,052	0	0	0	57,582	753,634
Transportation services	298,321	93,175	0	0	15,752	407,248
	2,511,003	102,152	0	0	74,333	2,687,488
Other expenditures:						
Facilities acquisitions	0	54,805	599,077	0	0	653,882
Long-term debt:						
Principal	0	0	0	691,062	0	691,062
Interest and fiscal charges	0	0	0	318,421	0	318,421
AEA flowthrough	337,727	0	0	0	0	337,727
	337,727	54,805	599,077	1,009,483	0	2,001,092
Total expenditures	8,634,180	156,957	599,077	1,009,483	297,150	10,696,847
Excess(deficiency) of revenues over(under) expenditures	29,161	263,200	92,446	(594,946)	10,739	(199,400)
Other financing sources(uses):						
Transfers in	4,114	0	349,575	732,195	167	1,086,051
Transfers out	(15,211)	(538,173)	(543,597)	0	(11,954)	(1,108,935)
Sale of equipment	4,383	0	0	0	0	4,383
Sale of property	0	61,100	0	0	0	61,100
Total other financing sources(uses)	(6,714)	(477,073)	(194,022)	732,195	(11,787)	42,599
Net change in fund balances	22,447	(213,873)	(101,576)	137,249	(1,048)	(156,801)
Fund balance beginning of year	1,473,894	813,801	626,666	786,676	234,975	3,936,012
Fund balance end of year	\$ 1,496,341	599,928	525,090	923,925	233,927	3,779,211

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2007

Net change in fund balances - total governmental funds (page 20) \$ (156,801)

**Amounts reported for governmental activities in the
 statement of activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 729,136	
Depreciation expense	(493,565)	
Loss on disposal of capital assets	<u>(1,691)</u>	233,880

Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. (3,220)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities in an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

Repaid	691,062
--------	---------

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 7,135

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 57,250

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Compensated absences	5,045	
Early retirement	<u>4,060</u>	<u>9,105</u>

Changes in net assets of governmental activities (page 17) \$ 838,411

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2007

	Business-Type Activities	
	Enterprise: Fund	Governmental Activities:
	School Nutrition	Internal Service Fund
ASSETS		
Cash and pooled investments	\$ 82,360	1,129
Inventories	5,219	0
Capital assets, net of accumulated depreciation (Note 5)	101,783	0
TOTAL ASSETS	189,362	1,129
LIABILITIES		
Salaries and benefits payable	2,939	0
Deferred revenue:		
Other	3,151	0
TOTAL LIABILITIES	6,090	0
NET ASSETS		
Investment in capital assets, net of related debt	101,783	0
Unrestricted	81,489	1,129
TOTAL NET ASSETS	\$ 183,272	1,129

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2007

	Business-Type Activities:	
	Enterprise Fund	Governmental Activities:
	School Nutrition	Internal Service Fund
OPERATING REVENUE:		
Local sources:		
Charges for services	\$ 183,252	27,840
OPERATING EXPENSES:		
Non-instructional programs:		
Salaries	149,349	0
Benefits	35,080	31,060
Services	10,728	0
Supplies	248,982	0
Depreciation	19,920	0
TOTAL OPERATING EXPENSES	464,059	31,060
OPERATING LOSS	(280,807)	(3,220)
NON-OPERATING REVENUES:		
State sources	5,570	0
Federal sources	243,571	0
Interest on investments	2,750	0
TOTAL NON-OPERATING REVENUES	251,891	0
Net loss before other financing sources	(28,916)	(3,220)
OTHER FINANCING SOURCES		
Transfer in	15,211	0
Change in net assets	(13,705)	(3,220)
Net assets beginning of year	196,977	4,349
Net assets end of year	\$ 183,272	1,129

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2007

	Business-Type Activites:	
	Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 181,579	0
Cash received from miscellaneous	973	27,840
Cash payments to employees for services	(182,059)	(31,060)
Cash payments to suppliers for goods or services	(235,212)	0
Net cash used in operating activities	(234,719)	(3,220)
Cash flows from non-capital financing activities:		
Transfer from General Fund	15,211	
State grants received	5,570	0
Federal grants received	218,622	0
Net cash provided by non-capital financing activities	239,403	0
Cash flows from capital and related financing activities:		
Purchase of capital assets	(16,504)	0
Cash flows from investing activities:		
Interest on investments	2,750	0
Net decrease in cash and cash equivalents	(9,070)	(3,220)
Cash and cash equivalents at beginning of year	91,430	4,349
Cash and cash equivalents at end of year	\$ 82,360	1,129
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (280,807)	(3,220)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Commodities consumed	24,949	0
Depreciation	19,920	0
Increase in inventories	(438)	0
Decrease in accounts payable	(13)	0
Increase in salaries and benefits payable	2,370	0
Decrease in deferred revenue	(700)	0
Net cash used in operating activities	\$ (234,719)	(3,220)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:		
Current assets:		
Cash and pooled investments	\$ 82,360	1,129

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2007, the District received Federal commodities valued at \$24,949.

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2007

		<u>Private Purpose</u>
		<u>Trust</u>
		<u>Scholarship</u>
ASSETS		
Cash and pooled investments	\$	267,602
Interest receivable		39
		<u>267,641</u>
LIABILITIES		<u>0</u>
NET ASSETS		
Reserved for scholarships	\$	<u>267,641</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2007

	Private Purpose Trust Scholarship
Additions:	
Gifts and contributions	\$ 2,150
Interest on investments	12,614
Total additions	<u>14,764</u>
Deductions:	
Scholarships awarded	<u>16,875</u>
Deficiency of revenues under expenditures	<u>(2,111)</u>
Other financing sources(uses):	
Transfer in	7,840
Transfer out	<u>(167)</u>
Total other financing sources(uses)	<u>7,673</u>
Change in net assets	5,562
Net assets beginning of year	<u>262,079</u>
Net assets end of year	<u><u>\$ 267,641</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

SHENANDOAH COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

(1) **Summary of Significant Accounting Policies**

The Shenandoah Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the city of Shenandoah, Iowa, and the predominate agricultural territory in Page, Fremont, Montgomery and Mills Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Shenandoah Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Shenandoah Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Page, Fremont, Montgomery and Mills Counties Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Physical Plant and Equipment Levy Fund is utilized to account for equipment purchases as well as capital improvements.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's long-term debt.

The District's proprietary funds are the School Nutrition Fund and the Internal Service Fund. The Nutrition fund is used to account for the food service operations of the

District. The Internal Service Fund is used to account for the self-funded insurance plan of the District. The Internal Service Fund is charged back to the Governmental Funds and shown combined in the Statement of Net Assets and the Statement of Activities.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private-Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year.

Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 3,000
Buildings	3,000
Land improvements	3,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	3,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-12 years

Salaries and Benefits Payable - Payroll and related expenditures for annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2007. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2007 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of

deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2007, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	\$ 3,538,862

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rate Aaa by Moody's Investors Service.

(3) Transfers

The detail of transfers for the year ended June 30, 2007 is as follows:

Transfer to	Transfer from	Amount
Debt Service	PPEL	\$ 188,598
Capital Projects	PPEL	349,575
Debt Service	Capital Projects	543,597
Nutrition	General	15,211
General	Management	1,100
General	Activity	3,014
Activity	Non-Expendable Trust	167
Non-Expendable Trust	Expendable Trust	6,915
Non-Expendable Trust	Activity	925
Total		<u>\$ 1,109,102</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 7,385,000	0	420,000	6,965,000	430,000
Revenue bonds	1,085,000	0	200,000	885,000	210,000
QZAB	1,000,000	0	0	1,000,000	0
Street assessment	385,000	0	60,000	325,000	65,000
Bus lease	22,776	0	11,062	11,714	11,714
Compensated absences	96,840	91,795	96,840	91,795	91,795
Early Retirement	4,060	0	4,060	0	0
Total	<u>\$ 9,978,676</u>	<u>91,795</u>	<u>791,962</u>	<u>9,278,509</u>	<u>808,509</u>

General Obligation Bonds Payable

Details of the District's June 30, 2007 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Issue dated September 28, 2005				
	Interest Rates		Principal	Interest	Total
2008	3.50 %	\$	430,000	246,125	676,125
2009	3.50		450,000	230,812	680,812
2010	3.50		460,000	214,975	674,975
2011	3.50		475,000	198,787	673,787
2012	3.50		495,000	182,075	677,075
2013	3.50		510,000	164,487	674,487
2014	3.50		535,000	146,550	681,550
2015	3.55		545,000	127,650	672,650
2016	3.65		565,000	107,985	672,985
2017	3.65		590,000	87,159	677,159
2018	3.65		615,000	65,441	680,441
2019	3.70		635,000	42,578	677,578
2020	3.75		660,000	18,563	678,563
Total		\$	6,965,000	1,833,187	8,798,187

Revenue Bonds

Details of the District's June 30, 2007 revenue bonded indebtedness is as follows:

Year Ending June 30,	Interest				
	Rate		Principal	Interest	Total
2008	3.90 %	\$	210,000	30,420	240,420
2009	3.90		215,000	22,132	237,132
2010	3.90		225,000	13,553	238,553
2011	3.90		235,000	4,582	239,582
Total		\$	885,000	70,687	955,687

Quality Zone Academy Bonds Payable

During the year ended June 30, 2002, the District issued zero interest Quality Zone Academy Bonds (QZAB). Annual transfers from the Capital Projects Fund to a Debt Sinking Fund will be made to pay the indebtedness due November 13, 2011, of \$1,000,000.

Street Assessment Payable

Details of the District's June 30, 2007 street assessment payable indebtedness are as follows:

Year Ending June 30,	Interest			
	Principal	Interest	Total	
2008	\$ 65,000	15,438	80,438	
2009	65,000	12,675	77,675	
2010	65,000	9,750	74,750	
2011	65,000	6,663	71,663	
2012	65,000	3,412	68,412	
Total	\$ 325,000	47,938	372,938	

Bus Lease Payable

Details of the District's June 30, 2007 bus lease payable indebtedness are as follows:

Year Ending June 30,	Principal	Interest	Total
2008	\$ 11,714	691	12,405

Early Retirement

The District offers a voluntary early retirement plan to its licensed employees. Eligible employees must be at least age 58 but may not surpass age 62 on or before June 30 of the year in which the employee wishes to retire and employees must have completed at least ten years of full-time service to the District. Employees must complete an application which is subject to approval by the Board of Education. The early retirement incentive is \$10,000. The District did not have an early retirement policy for FY 07. It is a policy that ends each year at June 30th and the board looks at it each fall to see if it will be offered on a year to year basis.

Early retirement benefits paid during the year ended June 30, 2007 totaled \$4,060 from the Special Revenue Fund, Management Levy. The cost of early retirement payments expected to be liquidated currently are recorded as a liability in the government-wide Statement of Net Assets representing the District's commitments to fund non-current early retirement.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 183,000	0	0	183,000
Construction in progress	190,262	139,503	190,262	139,503
Total capital assets not being depreciated	373,262	139,503	190,262	322,503
Capital assets being depreciated:				
Buildings	19,006,543	670,182	0	19,676,725
Land improvements	686,999	12,688	0	699,687
Machinery and equipment	1,334,740	97,025	51,604	1,380,161
Total capital assets being depreciated	21,028,282	779,895	51,604	21,756,573
Less accumulated depreciation for:				
Buildings	5,457,162	380,937	0	5,838,099
Land improvements	331,137	24,310	0	355,447
Machinery and equipment	1,005,490	88,318	49,913	1,043,895
Total accumulated depreciation	6,793,789	493,565	49,913	7,237,441
Total capital assets being depreciated, net	14,234,493	286,330	1,691	14,519,132
Governmental activities capital assets, net	\$ 14,607,755	425,833	191,953	14,841,635

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 216,861	16,504	20,111	213,254
Less accumulated depreciation	111,662	19,920	20,111	111,471
Business-type activities capital assets, net	<u>\$ 105,199</u>	<u>(3,416)</u>	<u>0</u>	<u>101,783</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 6,219
Other	1,965
Support services:	
Student	3,279
Instructional	11,439
Operation and maintenance of plant services	5,205
Transportation	60,211
	<u>88,318</u>
Unallocated depreciation	<u>405,247</u>
Total governmental activities depreciation expense	<u>\$ 493,565</u>
Business-type activities:	
Food services	<u>\$ 19,920</u>

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$315,497, \$287,856, and \$268,885 respectively, equal to the required contributions for each year.

(7) Risk Management

Shenandoah Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$337,727 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(9) Construction Commitment

The District has entered into contracts totaling \$318,050 for the HVAC project at the Logan school. As of June 30, 2007, costs of \$139,503 had been incurred against the contracts. The balance of \$178,547 remaining at June 30, 2007 will be paid as work on the project progresses.

REQUIRED SUPPLEMENTARY INFORMATION

SHENANDOAH COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2007

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 4,862,251	186,002	5,048,253	4,793,350	4,793,350	254,903
State sources	5,285,949	5,570	5,291,519	5,398,064	5,398,064	(106,545)
Federal sources	349,247	243,571	592,818	564,000	564,000	28,818
Total revenues	10,497,447	435,143	10,932,590	10,755,414	10,755,414	177,176
Expenditures:						
Instruction	6,008,267	0	6,008,267	7,595,537	7,595,537	1,587,270
Support services	2,687,488	0	2,687,488	3,403,578	3,403,578	716,090
Non-instructional programs	0	464,059	464,059	610,540	610,540	146,481
Other expenditures	2,001,092	0	2,001,092	3,059,866	3,059,866	1,058,774
Total expenditures	10,696,847	464,059	11,160,906	14,669,521	14,669,521	3,508,615
Excess(deficiency) of revenues over(under) expenditures	(199,400)	(28,916)	(228,316)	(3,914,107)	(3,914,107)	(3,685,791)
Other financing sources, net	42,599	15,211	57,810	(5,183)	(5,183)	(62,993)
Excess(deficiency) of revenues and other financing sources over(under) expenditures	(156,801)	(13,705)	(170,506)	(3,919,290)	(3,919,290)	(3,748,784)
Balance beginning of year	3,936,012	196,977	4,132,989	3,919,290	3,919,290	213,699
Balance end of year	\$ 3,779,211	183,272	3,962,483	0	0	3,962,483

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

OTHER SUPPLEMENTARY INFORMATION

SHENANDOAH COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2007

	Manage- ment Levy	Student Activity	Total
ASSETS			
Cash and pooled investments	\$ 134,777	94,129	228,906
Receivables:			
Property tax:			
Current year delinquent	2,084	0	2,084
Succeeding year	100,000	0	100,000
Accounts	0	1,114	1,114
Due from other governments	0	3,062	3,062
TOTAL ASSETS	\$ 236,861	98,305	335,166
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 635	604	1,239
Deferred revenue:			
Succeeding year property tax	100,000	0	100,000
Total liabilities	100,635	604	101,239
UNRESERVED FUND BALANCES	136,226	97,701	233,927
TOTAL LIABILITIES AND FUND BALANCES	\$ 236,861	98,305	335,166

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2007

	Manage- ment Levy	Student Activity	Expendable Trust	Total
REVENUES:				
Local sources:				
Local tax	\$ 117,938	0	0	117,938
Other	16,459	173,377	0	189,836
State sources	115	0	0	115
TOTAL REVENUES	134,512	173,377	0	307,889
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	59,463	0	0	59,463
Other instruction	0	163,354	0	163,354
Support services:				
Administration services	999	0	0	999
Operation and maintenance of plant services	57,582	0	0	57,582
Student transportation	15,752	0	0	15,752
TOTAL EXPENDITURES	133,796	163,354	0	297,150
EXCESS OF REVENUES OVER EXPENDITURES	716	10,023	0	10,739
OTHER FINANCING SOURCES(USES):				
Transfers in	0	167	0	167
Transfers out	(1,100)	(3,939)	(6,915)	(11,954)
TOTAL OTHER FINANCING SOURCES(USES)	(1,100)	(3,772)	(6,915)	(11,787)
EXCESS(DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER(UNDER) EXPENDITURES AND OTHER FINANCING USES	(384)	6,251	(6,915)	(1,048)
FUND BALANCE BEGINNING OF YEAR	136,610	91,450	6,915	234,975
FUND BALANCE END OF YEAR	\$ 136,226	97,701	0	233,927

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2007

Account	Balance Beginning of Year	Revenues	Expenditures	Interfund and Intrafund Transfers	Balance End of Year
Athletic Director	\$ 0	0	458	458	0
Boys Basketball	0	5,957	5,164	(793)	0
MS Boys Basketball	0	530	803	273	0
Football	0	7,756	4,375	(3,381)	0
MS Football	0	2,008	2,637	629	0
Athletic Tournaments	0	1,729	495	(1,234)	0
Baseball	0	4,132	7,991	3,859	0
MS Baseball	0	0	1,331	1,331	0
Boys Track	0	3,915	6,893	2,978	0
MS Boys Track	0	75	531	456	0
Boys Cross Country	0	1,264	1,600	336	0
Boys Tennis	0	186	741	555	0
Boys Golf	0	729	1,475	746	0
Wrestling	0	6,804	7,858	1,054	0
MS Wrestling	0	297	450	153	0
Girls Basketball	0	3,099	2,115	(984)	0
MS Girls Basketball	0	757	904	147	0
Volleyball	0	7,050	5,554	(1,496)	0
MS Volleyball	0	859	391	(468)	0
Softball	0	1,505	3,737	2,232	0
MS Softball	0	0	255	255	0
Girls Track	0	1,828	2,827	999	0
MS Girls Track	0	175	391	216	0
Girls Cross Country	0	489	533	44	0
Girls Tennis	0	435	697	262	0
Girls Golf	0	1,104	2,456	1,352	0
HS General Athletics	35,063	9,454	123	(9,331)	35,063
MS General Athletics	52	0	120	68	0
Annual	9,168	6,150	3,656	0	11,662
Cheerleaders	1,047	8,795	6,191	0	3,651
Class of 2006	790	0	0	(790)	0
Class of 2007	1,671	0	984	0	687
Class of 2008	1,731	6,717	7,167	0	1,281
Class of 2009	868	620	35	0	1,453
Class of 2010	0	882	0	0	882
Class of 2011	0	800	0	0	800
Concession Pop	0	11,613	9,178	(2,000)	435
FFA	4,669	9,843	8,095	98	6,515
FCCLA	460	3,482	2,187	(52)	1,703
Interest	401	401	931	147	18
Marching Mustangs	2,009	2,693	2,716	432	2,418
National Art Honor Society	569	1,555	1,726	198	596
National Honor Society	17	484	455	413	459
Pep Club	86	0	0	0	86

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2007

Account	Balance Beginning of Year	Revenues	Expenditures	Interfund and Intrafund Transfers	Balance End of Year
Investment Interest	1,980	3,312	1,980	0	3,312
Shen Basketball Boys	141	305	395	0	51
Shen Basketball Girls	2	370	371	0	1
Shen Boys Golf	291	76	332	0	35
Shen Boys Cross Country	294	537	685	0	146
Shen Boys Tennis	386	287	331	0	342
Shen Boys Track	239	0	0	0	239
Shen Football	0	7,260	5,568	0	1,692
Shen Girls Track	0	521	374	0	147
Shen Girls Tennis	356	0	0	0	356
Shen Girls Cross Country	122	1,435	1,295	0	262
Shen Singers	1,128	732	588	216	1,488
Shen Softball	207	2,589	1,756	0	1,040
Shen Volleyball	1,360	1,208	2,306	0	262
Shen Weight Club	420	1,510	1,217	0	713
Shen Wrestlers	1,596	3,487	4,980	0	103
SHS Speech Club	2,768	1,338	2,392	205	1,919
Student Activity	0	4,346	456	(3,890)	0
Student Council	5,757	16,382	17,004	(147)	4,988
Shen Baseball	702	0	510	0	192
MS Annual	1,794	3,011	3,174	0	1,631
MS Cheerleaders	371	0	0	0	371
MS FCCLA	1,319	4,597	5,386	250	780
MS Weight Room	55	785	840	0	0
MS Leadership Academy	1,624	0	0	0	1,624
MS Marching Mustangs	7,022	2,254	4,369	216	5,123
MS Swing Choir	2,195	71	342	216	2,140
MS Pride Builders	720	792	477	0	1,035
Total	\$ 91,450	173,377	163,354	(3,772)	97,701

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

		Modified Accrual Basis			
		Years Ended June 30,			
		2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax	\$	3,843,038	3,717,829	3,536,193	3,754,560
Tuition		325,825	309,238	340,218	302,508
Other		693,361	582,805	476,170	555,042
Intermediate sources		0	0	0	36,106
State sources		5,285,949	4,775,575	4,419,245	4,041,618
Federal sources		349,274	356,245	334,296	368,460
Total	\$	10,497,447	9,741,692	9,106,122	9,058,294
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$	3,730,512	3,664,547	3,301,558	3,262,129
Special instruction		1,122,041	1,011,712	1,053,146	1,461,875
Other instruction		1,155,714	1,117,402	1,058,543	674,085
Support services:					
Student services		262,507	194,277	169,318	169,012
Instructional staff services		367,374	353,021	349,654	253,071
Administration services		896,725	742,217	642,190	662,371
Operation and maintenance of plant services		753,634	741,092	767,799	531,580
Transportation services		407,248	347,846	257,666	230,387
Non-instructional programs		0	0	20,236	15,310
Other expenditures:					
Facilities acquisitions		653,882	757,609	702,778	341,688
Long-term debt:					
Principal		691,062	471,177	364,863	344,314
Interest		318,421	970,142	440,534	460,083
AEA flow-through		337,727	306,192	286,664	287,741
Total	\$	10,696,847	10,677,234	9,414,949	8,693,646

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
FOOD DONATION (non-cash)	10.550	FY 07	\$ 24,949
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 07	43,014
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 07	175,608
			<u>218,622</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 07	<u>165,185</u>
SAFE AND DRUG-FREE SCHOOLS - STATES GRANTS	84.186	FY 07	<u>4,841</u>
INNOVATIVE EDUCATION PROGRAM STRATEGIES (TITLE V PROGRAM)	84.298	FY 06	3,695
INNOVATIVE EDUCATION PROGRAM STRATEGIES (TITLE V PROGRAM)	84.298	FY 07	<u>1,939</u>
			<u>5,634</u>
ENHANCING EDUCATION THROUGH TECHNOLOGY	84.318	FY 07	<u>426</u>
READING FIRST STATE GRANTS	84.357	FY 07	<u>28,365</u>
TITLE II A - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 07	<u>62,011</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VI A PROGRAM)	84.369	FY 07	<u>7,742</u>
IOWA WESTERN COMMUNITY COLLEGE: VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 07	<u>12,757</u>
LOESS HILLS AREA EDUCATION AGENCY: SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 07	<u>62,313</u>
TOTAL			<u>\$ 592,845</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Shenandoah Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general-purpose financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3050

Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of the
Shenandoah Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Shenandoah Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 10, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Shenandoah Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Shenandoah Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Shenandoah Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Shenandoah Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Shenandoah Community School District's financial statements that is more than inconsequential will not be prevented or detected by Shenandoah Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Shenandoah Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item II-A-07 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Shenandoah Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Shenandoah Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Shenandoah Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Shenandoah Community School District and other parties to whom Shenandoah Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Shenandoah Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

January 10, 2008

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3050

Telephone (641) 792-1910

Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133

To the Board of Education of
Shenandoah Community School District

Compliance

We have audited the compliance of Shenandoah Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. Shenandoah Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Shenandoah Community School District's management. Our responsibility is to express an opinion on Shenandoah Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Shenandoah Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Shenandoah Community School District's compliance with those requirements.

In our opinion, Shenandoah Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Shenandoah Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Shenandoah Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Shenandoah Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-07 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-07 to be a material weakness.

Shenandoah Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we expressed our conclusions on the District's responses, we did not audit Shenandoah Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Shenandoah Community School District and other parties to whom Shenandoah Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.


NOLTE, CORNMAN & JOHNSON, P.C.

January 10, 2008

SHENANDOAH COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007

Part I: Summary of the Independent Auditor's Results:

- (a) An unqualified opinion was issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A significant deficiency in internal control over major programs were disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Clustered
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
 - Individual
 - CFDA Number 84.010 – Title I grants to Local Educational agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Shenandoah Community School District did not qualify as a low-risk auditee.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

II-A-07 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties amount employees to prevent an individual employee from handling duties which are incompatible. One individual has control over data processing in general, receipt posting, investing, disbursement journalizing, payroll preparation and bank reconciling.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - Personnel changes will allow us to have another person doing some of these duties.

Conclusion - Response accepted.

II-B-07 Meal Reimbursements - We noted during our audit a reimbursement to an employee for meal expenses, however, there were no detailed receipts attached for supporting documentation.

Recommendation - The District should review their procedures to ensure that receipts for all reimbursable expenses are attached for supporting documentation,

Response - The procedure has been reviewed to ensure receipts for all reimbursements are being attached as supporting documentation.

Conclusion - Response accepted.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

CFDA Number 10.553 – School Nutrition Program
CFDA Number 10.555 – National School Lunch Program
Federal Award Year: 2007
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.010 – Title I – Grants to Local Educational Agencies
Federal Award Year: 2007
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-07 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties amount employees to prevent an individual employee from handling duties which are incompatible. One individual has control over data processing in general, receipt posting, investing, disbursement journalizing, payroll preparation and bank reconciling.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - Personnel changes will allow us to have another person doing some of these duties.

Conclusion - Response accepted.

SHENANDOAH COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-07 Certified Budget - District disbursements for the year ended June 30, 2007, did not exceed budgeted amounts.

IV-B-07 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-07 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-07 Business Transactions - Business transactions between the District and District Officials or employees were noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Ken Lee, Board Member Officiated games for the District	Purchased Services	\$520
Lance Hensen, Board Member Event ticket taker	Purchased Services	\$108

According to Chapter 279.7A of the Code of Iowa, the above transactions with board members does not appear to represent a conflict of interest.

IV-E-07 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-07 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-07 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

IV-H-07 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-I-07 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely. We noted no significant deficiencies in the amounts reported.

IV-K-07 Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The District retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation - The District should obtain and retain an image of both the front and back of each cancelled check as required.

Response - The bank is now sending the front and back of all electronic images.

Conclusion - Response accepted.